



**LIVINGSTON COUNTY, MISSOURI
YEARS ENDED DECEMBER 31, 2003 AND 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2004-79
September 29, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2004

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Livingston, that do not have a county auditor. In addition to a financial and compliance audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Livingston County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The Enhanced 911 Fund is in poor financial condition. Disbursements exceeded receipts during 2003 and 2002 due, in part, to increased overtime costs. As of May 2004, the county loaned more than \$25,000 from the General Revenue Fund to the Enhanced 911 Fund to cover 911 operating expenses. The County Commission should review disbursements to ensure available resources are used efficiently. The County Commission should also ensure receipts are maximized and, if necessary, consider alternative funding sources.
- The county's schedules of expenditures of federal awards (SEFA), which include health center programs, contained several errors and omissions. Expenditures for various programs were either overstated or understated, and two grants were omitted from the schedules.
- The county did not solicit bids for various purchases totaling \$21,441, made culvert purchases of approximately \$28,000 in 2003 based on bids received in 2002, and did not adequately document reasons for accepting bids other than the lowest bid for various purchases totaling \$36,751. Additionally, the County Commission approved payments of approximately \$26,000 without obtaining adequate supporting documentation, such as original invoices or credit card slips.
- In 1999, mid-term raises of approximately \$4,000 annually were given to each of the Associate County Commissioners. On May 15, 2001, the Missouri Supreme Court handed down an opinion that challenged the validity of Section 50.333.13, RSMo, which allowed county salary commissions to provide the mid-term raises. The Supreme Court held that this statute violated Article VII, Section 13, of the Missouri Constitution, which prohibits an increase in compensation for state, county, and municipal officials during a term of office. Although the Prosecuting Attorney recommended that the Associate County Commissioners repay the raise amounts, no plan has been developed for obtaining repayment of the salary overpayments.

(over)

YELLOW SHEET

- In 1999, the salary commission authorized the Public Administrator to receive, in addition to fees, annual compensation from the county if the public administrator did not receive at least a certain amount of fees. In 2000, the statutes authorizing the compensation of the Public Administrator were amended, which required the Public Administrator to choose between receiving a salary or fees as her official compensation for her term beginning in 2001. While the Public Administrator chose fees, the county continued to pay her \$10,000 annually in compensation. Neither the county nor the Public Administrator has obtained a legal opinion regarding this matter.
- The Sheriff does not always record and deposit receipts in a timely manner, does not adequately reconcile the inmate account balance to related liabilities, and has not adequately followed-up on old outstanding checks issued on the inmate account. In addition, the Sheriff's records indicate significant incarceration costs incurred for county prisoners during the past four years has not been collected. While county officials indicate that much of this will not be collected due to the prisoners' financial inability to pay for these costs, improvement is needed to ensure complete and accurate records are maintained of all costs incurred, billed, paid, and owed.

The audit also includes recommendations regarding payment of a commissioner's salary from the Special Road and Bridge Fund, establishment of a Sheriff Civil Fees Fund, inventory records and controls, and board of prisoner contracts. Additional concerns regarding accounting records and controls were noted for the Juvenile Officer, Ex Officio County Collector, and Prosecuting Attorney.

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LIVINGSTON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Livingston County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Livingston County, Missouri, as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Livingston County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2003 and 2002, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 1, 2004, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Livingston County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

July 1, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Lonnie Breeding III, CPA
Audit Staff:	Keri Wright
	Gary Raines
	Lamine Bah



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Livingston County, Missouri

We have audited the financial statements of various funds of Livingston County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Livingston County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Livingston County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all

matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Livingston County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

July 1, 2004 (fieldwork completion date)

Financial Statements

Exhibit A-1

LIVINGSTON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2003

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 219,201	1,483,111	1,531,665	170,647
Special Road and Bridge	429,291	1,184,946	1,053,882	560,355
Assessment	6,121	142,357	146,480	1,998
Law Enforcement Training	133	5,873	5,522	484
Prosecuting Attorney Training	1,935	1,832	3,620	147
Prosecuting Attorney Check Fees	(168)	19,594	16,882	2,544
Recorder's Special	12,565	11,790	7,349	17,006
Local Emergency Planning Committee	21,785	6,029	710	27,104
Child Abuse Trust	303	994	0	1,297
Enhanced 911	28,082	178,427	203,397	3,112
Planning and Zoning	14	0	0	14
Soybean Processing Study Grant	0	11,857	11,857	0
Victim Advocate	(2,344)	39,431	36,221	866
Micro Enterprise Grant	0	24,000	24,000	0
Law Enforcement Grant	0	11,250	11,250	0
Election Services	10,073	1,605	4,628	7,050
Circuit Clerk Interest	13,734	153	5,698	8,189
Law Library	336	4,794	5,016	114
Tax Maintenance	0	11,806	0	11,806
Senate Bill 40 Board	67,019	164,774	155,053	76,740
Health Center	320,540	610,085	646,977	283,648
Law Enforcement Sales Tax	0	31,753	0	31,753
Cemetery Trust	27,249	669	660	27,258
Total	\$ 1,155,869	3,947,130	3,870,867	1,232,132

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

LIVINGSTON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 222,396	1,465,238	1,468,433	219,201
Special Road and Bridge	229,518	915,239	715,466	429,291
Assessment	6,737	145,722	146,338	6,121
Law Enforcement Training	1,416	7,381	8,664	133
Prosecuting Attorney Training	2,173	2,567	2,805	1,935
Prosecuting Attorney Check Fees	50	14,861	15,079	(168)
Recorder's Special	8,136	10,741	6,312	12,565
Local Emergency Planning Committee	21,377	4,869	4,461	21,785
Child Abuse Trust	2,120	1,028	2,845	303
Enhanced 911	45,961	178,858	196,737	28,082
School Resource Officer	364	0	364	0
Planning and Zoning	48	1,696	1,730	14
Soybean Processing Study Grant	0	30,143	30,143	0
Victim Advocate	1,009	32,077	35,430	(2,344)
Law Enforcement Grant	0	9,000	9,000	0
Election Services	6,288	4,390	605	10,073
Circuit Clerk Interest	13,784	470	520	13,734
Law Library	412	5,240	5,316	336
Senate Bill 40 Board	70,234	157,629	160,844	67,019
Health Center	254,091	601,469	535,020	320,540
Cemetery Trust	27,225	1,139	1,115	27,249
Total	\$ 913,339	3,589,757	3,347,227	1,155,869

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

LIVINGSTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 4,600,718	3,914,708	(686,010)	4,647,053	3,579,618	(1,067,435)
DISBURSEMENTS	5,239,851	3,870,207	1,369,644	5,172,200	3,337,112	1,835,088
RECEIPTS OVER (UNDER) DISBURSEMENTS	(639,133)	44,501	683,634	(525,147)	242,506	767,653
CASH, JANUARY 1	1,128,852	1,128,620	(232)	886,109	886,114	5
CASH, DECEMBER 31	489,719	1,173,121	683,402	360,962	1,128,620	767,658
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	15,000	24,435	9,435	15,000	15,666	666
Sales taxes	795,000	766,625	(28,375)	805,000	793,625	(11,375)
Intergovernmental	338,650	385,595	46,945	311,300	351,486	40,186
Charges for service	252,500	251,182	(1,318)	216,200	248,391	32,191
Interest	4,000	4,936	936	6,700	4,566	(2,134)
Other	43,750	50,338	6,588	126,200	51,504	(74,696)
Total Receipts	1,448,900	1,483,111	34,211	1,480,400	1,465,238	(15,162)
DISBURSEMENTS						
County Commissior	83,690	86,072	(2,382)	84,360	78,822	5,538
County Clerk	92,472	87,657	4,815	81,115	75,836	5,279
Elections	43,757	40,531	3,226	92,290	82,137	10,153
Buildings and grounds	108,070	89,306	18,764	97,785	89,066	8,719
Employee fringe benefit	14,500	19,124	(4,624)	92,632	11,225	81,407
County Treasurer and						
Ex Officio County Collector	82,064	71,008	11,056	72,415	70,384	2,031
Ex Officio Recorder of Deed	40,078	38,226	1,852	38,639	41,550	(2,911)
Circuit Clerk	12,550	10,096	2,454	14,000	8,687	5,313
Associate Circuit Court	16,550	15,884	666	13,824	11,315	2,509
Associate Circuit (Probate)	3,800	3,938	(138)	4,675	2,160	2,515
Court administration	12,000	4,173	7,827	20,700	5,634	15,066
Public Administrator	70,827	58,390	12,437	49,394	57,586	(8,192)
Sheriff	351,396	348,117	3,279	310,413	317,225	(6,812)
Jail	407,492	391,402	16,090	406,393	378,972	27,421
Prosecuting Attorney	90,715	85,595	5,120	88,899	86,178	2,721
Juvenile Office	68,333	36,364	31,969	70,132	35,112	35,020
County Coroner	24,967	24,360	607	23,671	24,339	(668)
Insurance and bonds	26,000	25,085	915	21,000	24,974	(3,974)
University Extension	24,500	24,500	0	27,500	27,500	0
Economic development	12,000	12,000	0	17,000	16,851	149
Court Reporter	550	154	396	550	197	353
Public health and welfare service	3,950	3,601	349	3,150	2,403	747
Other	18,690	18,176	514	12,636	9,837	2,799
Transfers out	15,237	0	15,237	14,623	0	14,623
Emergency Fund	43,913	37,906	6,007	45,000	10,443	34,557
Total Disbursements	1,668,101	1,531,665	136,436	1,702,796	1,468,433	234,363
RECEIPTS OVER (UNDER) DISBURSEMENTS	(219,201)	(48,554)	170,647	(222,396)	(3,195)	219,201
CASH, JANUARY 1	219,201	219,201	0	222,396	222,396	0
CASH, DECEMBER 31	0	170,647	170,647	0	219,201	219,201

Exhibit B

LIVINGSTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	65,000	75,077	10,077	66,000	70,817	4,817
Intergovernmental	1,754,810	1,102,440	(652,370)	1,892,100	825,602	(1,066,498)
Interest	6,000	7,019	1,019	8,000	7,048	(952)
Other	1,000	410	(590)	4,200	11,772	7,572
Total Receipts	1,826,810	1,184,946	(641,864)	1,970,300	915,239	(1,055,061)
DISBURSEMENTS						
Salaries	89,468	89,468	0	88,265	88,265	0
Employee fringe benefit	24,534	25,511	(977)	20,150	20,763	(613)
Supplies	13,400	9,413	3,987	12,300	7,364	4,936
Insurance	3,500	5,254	(1,754)	4,000	3,123	877
Road and bridge materials	112,500	90,516	21,984	110,000	70,437	39,563
Equipment repairs	12,000	3,748	8,252	11,000	11,336	(336)
Rentals	25,000	8,084	16,916	15,000	14,968	32
Equipment purchases	50,000	1,163	48,837	50,000	402	49,598
Construction, repair, and maintenance	1,743,000	813,599	929,401	1,825,000	492,828	1,332,172
Other	13,700	7,126	6,574	13,900	5,980	7,920
Total Disbursements	2,087,102	1,053,882	1,033,220	2,149,615	715,466	1,434,149
RECEIPTS OVER (UNDER) DISBURSEMENTS	(260,292)	131,064	391,356	(179,315)	199,773	379,088
CASH, JANUARY 1	429,291	429,291	0	229,518	229,518	0
CASH, DECEMBER 31	168,999	560,355	391,356	50,203	429,291	379,088
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	135,000	140,095	5,095	137,000	144,001	7,001
Interest	400	298	(102)	400	485	85
Other	1,000	1,964	964	3,500	1,236	(2,264)
Transfers in	15,237	0	(15,237)	14,623	0	(14,623)
Total Receipts	151,637	142,357	(9,280)	155,523	145,722	(9,801)
DISBURSEMENTS						
Salaries and benefits	107,923	108,486	(563)	120,113	111,748	8,365
Supplies and equipment	33,010	30,578	2,432	33,597	28,141	5,456
Other	16,825	7,416	9,409	8,550	6,449	2,101
Total Disbursements	157,758	146,480	11,278	162,260	146,338	15,922
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,121)	(4,123)	1,998	(6,737)	(616)	6,121
CASH, JANUARY 1	6,121	6,121	0	6,737	6,737	0
CASH, DECEMBER 31	0	1,998	1,998	0	6,121	6,121

Exhibit B

LIVINGSTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	2,000	2,283	283	3,500	2,318	(1,182)
Charges for service:	5,000	3,588	(1,412)	4,700	5,028	328
Interest	20	2	(18)	50	35	(15)
Total Receipts	7,020	5,873	(1,147)	8,250	7,381	(869)
DISBURSEMENTS						
Sheriff	7,153	5,522	1,631	9,666	8,664	1,002
Total Disbursements	7,153	5,522	1,631	9,666	8,664	1,002
RECEIPTS OVER (UNDER) DISBURSEMENTS	(133)	351	484	(1,416)	(1,283)	133
CASH, JANUARY 1	133	133	0	1,416	1,416	0
CASH, DECEMBER 31	0	484	484	0	133	133
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	2,500	1,795	(705)	2,300	2,513	213
Interest	35	37	2	30	54	24
Total Receipts	2,535	1,832	(703)	2,330	2,567	237
DISBURSEMENTS						
Prosecuting Attorney	4,400	3,620	780	4,500	2,805	1,695
Total Disbursements	4,400	3,620	780	4,500	2,805	1,695
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,865)	(1,788)	77	(2,170)	(238)	1,932
CASH, JANUARY 1	1,935	1,935	0	2,173	2,173	0
CASH, DECEMBER 31	70	147	77	3	1,935	1,932
<u>PROSECUTING ATTORNEY CHECK FEES FUND</u>						
RECEIPTS						
Charges for service:	16,600	19,594	2,994	15,600	14,860	(740)
Interest	0	0	0	10	1	(9)
Total Receipts	16,600	19,594	2,994	15,610	14,861	(749)
DISBURSEMENTS						
Prosecuting Attorney	16,405	16,882	(477)	15,660	15,079	581
Total Disbursements	16,405	16,882	(477)	15,660	15,079	581
RECEIPTS OVER (UNDER) DISBURSEMENTS	195	2,712	2,517	(50)	(218)	(168)
CASH, JANUARY 1	(168)	(168)	0	50	50	0
CASH, DECEMBER 31	27	2,544	2,517	0	(168)	(168)

Exhibit B

LIVINGSTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S SPECIAL FUND</u>						
RECEIPTS						
Charges for services	9,000	11,549	2,549	6,000	10,538	4,538
Interest	200	241	41	150	203	53
Total Receipts	9,200	11,790	2,590	6,150	10,741	4,591
DISBURSEMENTS						
Ex Officio Recorder of Deed	6,895	7,349	(454)	6,800	6,312	488
Total Disbursements	6,895	7,349	(454)	6,800	6,312	488
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,305	4,441	2,136	(650)	4,429	5,079
CASH, JANUARY 1	12,565	12,565	0	8,136	8,136	0
CASH, DECEMBER 31	14,870	17,006	2,136	7,486	12,565	5,079
<u>LOCAL EMERGENCY PLANNING COMMITTEE FUND</u>						
RECEIPTS						
Intergovernmental	0	5,612	5,612	3,500	4,335	835
Interest	500	417	(83)	350	534	184
Total Receipts	500	6,029	5,529	3,850	4,869	1,019
DISBURSEMENTS						
Local emergency planning	22,285	710	21,575	25,000	4,461	20,539
Total Disbursements	22,285	710	21,575	25,000	4,461	20,539
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,785)	5,319	27,104	(21,150)	408	21,558
CASH, JANUARY 1	21,785	21,785	0	21,377	21,377	0
CASH, DECEMBER 31	0	27,104	27,104	227	21,785	21,558
<u>CHILD ABUSE TRUST FUND</u>						
RECEIPTS						
Charges for services	800	988	188	700	975	275
Interest	0	6	6	25	53	28
Total Receipts	800	994	194	725	1,028	303
DISBURSEMENTS						
Domestic violence shelte	1,103	0	1,103	2,845	2,845	0
Total Disbursements	1,103	0	1,103	2,845	2,845	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(303)	994	1,297	(2,120)	(1,817)	303
CASH, JANUARY 1	303	303	0	2,120	2,120	0
CASH, DECEMBER 31	0	1,297	1,297	0	303	303

Exhibit B

LIVINGSTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ENHANCED 911 FUND</u>						
RECEIPTS						
Telephone surcharges:	180,300	177,889	(2,411)	166,900	177,709	10,809
Interest	700	538	(162)	700	1,149	449
Total Receipts	181,000	178,427	(2,573)	167,600	178,858	11,258
DISBURSEMENTS						
Salaries and benefits:	115,643	114,511	1,132	107,052	101,639	5,413
Office expense:	650	809	(159)	900	600	300
Equipment expense:	7,000	6,894	106	14,630	10,473	4,157
Mileage and training	7,500	4,864	2,636	3,400	3,519	(119)
Telephone network charge:	46,400	45,357	1,043	45,600	49,190	(3,590)
Equipment lease	30,960	30,960	0	30,960	30,960	0
Other	400	2	398	0	356	(356)
Total Disbursements	208,553	203,397	5,156	202,542	196,737	5,805
RECEIPTS OVER (UNDER) DISBURSEMENTS	(27,553)	(24,970)	2,583	(34,942)	(17,879)	17,063
CASH, JANUARY 1	28,082	28,082	0	45,961	45,961	0
CASH, DECEMBER 31	529	3,112	2,583	11,019	28,082	17,063
<u>SCHOOL RESOURCE OFFICER FUND</u>						
RECEIPTS						
Intergovernmental				0	0	0
Total Receipts				0	0	0
DISBURSEMENTS						
Salaries				364	364	0
Total Disbursements				364	364	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				(364)	(364)	0
CASH, JANUARY 1				364	364	0
CASH, DECEMBER 31				0	0	0
<u>PLANNING AND ZONING FUND</u>						
RECEIPTS						
Charges for service:	11,000	0	(11,000)	11,000	1,695	(9,305)
Interest	0	0	0	0	1	1
Total Receipts	11,000	0	(11,000)	11,000	1,696	(9,304)
DISBURSEMENTS						
Planning and zoning	11,000	0	11,000	11,000	1,730	9,270
Total Disbursements	11,000	0	11,000	11,000	1,730	9,270
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	(34)	(34)
CASH, JANUARY 1	14	14	0	48	48	0
CASH, DECEMBER 31	14	14	0	48	14	(34)

Exhibit B

LIVINGSTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SOYBEAN PROCESSING STUDY GRANT FUND</u>						
RECEIPTS						
Intergovernmental	29,857	11,857	(18,000)	50,000	30,143	(19,857)
Total Receipts	29,857	11,857	(18,000)	50,000	30,143	(19,857)
DISBURSEMENTS						
Soybean processing study	29,857	11,857	18,000	50,000	30,143	19,857
Total Disbursements	29,857	11,857	18,000	50,000	30,143	19,857
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>VICTIM ADVOCATE FUND</u>						
RECEIPTS						
Intergovernmental	40,594	39,203	(1,391)	35,999	32,077	(3,922)
Other	0	228	228	0	0	0
Total Receipts	40,594	39,431	(1,163)	35,999	32,077	(3,922)
DISBURSEMENTS						
Salaries	26,705	26,700	5	25,576	25,770	(194)
Office supplies	2,200	1,412	788	1,294	1,557	(263)
Mileage and training	2,000	865	1,135	2,511	1,686	825
Other	7,345	7,244	101	6,618	6,417	201
Total Disbursements	38,250	36,221	2,029	35,999	35,430	569
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,344	3,210	866	0	(3,353)	(3,353)
CASH, JANUARY 1	(2,344)	(2,344)	0	1,009	1,009	0
CASH, DECEMBER 31	0	866	866	1,009	(2,344)	(3,353)
<u>MICRO ENTERPRISE GRANT FUND</u>						
RECEIPTS						
Intergovernmental	100,000	24,000	(76,000)			
Total Receipts	100,000	24,000	(76,000)			
DISBURSEMENTS						
Micro Enterprise	100,000	24,000	76,000			
Total Disbursements	100,000	24,000	76,000			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			
<u>LAW ENFORCEMENT GRANT FUND</u>						
RECEIPTS						
Intergovernmental	11,250	11,250	0			
Total Receipts	11,250	11,250	0			
DISBURSEMENTS						
Sheriff	11,250	11,250	0			
Total Disbursements	11,250	11,250	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			

Exhibit B

LIVINGSTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Charges for service:	3,000	1,577	(1,423)	5,000	4,328	(672)
Interest	60	28	(32)	70	62	(8)
Total Receipts	3,060	1,605	(1,455)	5,070	4,390	(680)
DISBURSEMENTS						
Election service:	13,000	4,628	8,372	11,000	605	10,395
Total Disbursements	13,000	4,628	8,372	11,000	605	10,395
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,940)	(3,023)	6,917	(5,930)	3,785	9,715
CASH, JANUARY 1	10,073	10,073	0	6,283	6,288	5
CASH, DECEMBER 31	133	7,050	6,917	353	10,073	9,720
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	400	153	(247)	1,700	470	(1,230)
Total Receipts	400	153	(247)	1,700	470	(1,230)
DISBURSEMENTS						
Circuit Clerk	14,134	5,698	8,436	15,484	520	14,964
Total Disbursements	14,134	5,698	8,436	15,484	520	14,964
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,734)	(5,545)	8,189	(13,784)	(50)	13,734
CASH, JANUARY 1	13,734	13,734	0	13,784	13,784	0
CASH, DECEMBER 31	0	8,189	8,189	0	13,734	13,734
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	5,000	4,794	(206)	4,300	5,240	940
Total Receipts	5,000	4,794	(206)	4,300	5,240	940
DISBURSEMENTS						
Law Library	5,580	5,016	564	4,712	5,316	(604)
Total Disbursements	5,580	5,016	564	4,712	5,316	(604)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(580)	(222)	358	(412)	(76)	336
CASH, JANUARY 1	580	336	(244)	412	412	0
CASH, DECEMBER 31	0	114	114	0	336	336
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	8,000	11,806	3,806			
Total Receipts	8,000	11,806	3,806			
DISBURSEMENTS						
Ex Officio County Collector	8,000	0	8,000			
Total Disbursements	8,000	0	8,000			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	11,806	11,806			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	11,806	11,806			

Exhibit B

LIVINGSTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SENATE BILL 40 BOARD FUND						
RECEIPTS						
Property taxes	126,800	135,470	8,670	126,800	131,143	4,343
Intergovernmental	17,000	18,020	1,020	16,650	18,828	2,178
Interest	2,000	1,338	(662)	3,500	2,170	(1,330)
Other	6,200	9,946	3,746	4,636	5,488	852
Total Receipts	152,000	164,774	12,774	151,586	157,629	6,043
DISBURSEMENTS						
Operating costs	58,044	59,452	(1,408)	55,093	56,522	(1,429)
Purchase of services	80,909	61,063	19,846	84,137	63,906	20,231
Medicaid match	31,737	29,193	2,544	31,737	35,503	(3,766)
Personal assistance service	4,500	5,345	(845)	4,000	4,913	(913)
Total Disbursements	175,190	155,053	20,137	174,967	160,844	14,123
RECEIPTS OVER (UNDER) DISBURSEMENTS	(23,190)	9,721	32,911	(23,381)	(3,215)	20,166
CASH, JANUARY 1	67,007	67,019	12	70,234	70,234	0
CASH, DECEMBER 31	43,817	76,740	32,923	46,853	67,019	20,166
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	328,906	330,985	2,079	326,299	322,693	(3,606)
Intergovernmental	211,649	225,926	14,277	188,772	219,512	30,740
Charges for services	44,000	42,495	(1,505)	46,589	43,778	(2,811)
Interest	10,000	6,009	(3,991)	15,000	10,200	(4,800)
Other	0	4,670	4,670	0	5,286	5,286
Total Receipts	594,555	610,085	15,530	576,660	601,469	24,809
DISBURSEMENTS						
Salaries	482,920	486,929	(4,009)	443,600	404,587	39,013
Supplies	15,000	15,990	(990)	17,000	13,922	3,078
Equipment	18,500	16,930	1,570	6,000	13,746	(7,746)
Mileage and training	8,500	7,129	1,371	9,500	6,834	2,666
Operations	31,915	27,029	4,886	31,390	26,109	5,281
Employee fringe benefit	40,500	42,997	(2,497)	33,000	33,568	(568)
Community health	41,500	46,036	(4,536)	31,500	32,537	(1,037)
Other	15,000	3,937	11,063	15,000	3,717	11,283
Total Disbursements	653,835	646,977	6,858	586,990	535,020	51,970
RECEIPTS OVER (UNDER) DISBURSEMENTS	(59,280)	(36,892)	22,388	(10,330)	66,449	76,779
CASH, JANUARY 1	320,540	320,540	0	254,091	254,091	0
CASH, DECEMBER 31	\$ 261,260	283,648	22,388	243,761	320,540	76,779

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

LIVINGSTON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Livingston County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Cemetery Trust Fund for the years ended December 31, 2003 and 2002, Law Enforcement Sales Tax Fund for the year ended December 31, 2003, and Law Enforcement Grant Fund for the year ended December 31, 2002.

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the Prosecuting Attorney Check Fees Fund and the Recorder's Special Fund for the year ended December 31, 2003, and for the Law Library Fund for the year ended December 31, 2002.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The county's published financial statements for the years ended December 31, 2003 and 2002, included all funds presented in the accompanying financial statements.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, Health Center Board's, and Senate Bill 40 Board's deposits at December 31, 2003 and 2002, were entirely covered by federal depositary insurance or by collateral securities held by the county's or the boards' custodial banks in the county's or boards' names.

3. Prior Period Adjustment

The Election Services, Victim Advocate, and the Cemetery Trust Fund's cash balances of \$6,288, \$1,009, and \$27,225, respectively, at January 1, 2002, were not previously reported but have been added.

Supplementary Schedule

Schedule

LIVINGSTON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state Department of Health and Senior Services				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Childre	ERS-045-2159	\$ 0	27,690
		ERS-045-3159W	29,273	9,704
		ERS-045-4159	13,917	0
	Program Total		43,190	37,394
Direct program:				
10.773	Rural Business Opportunity Grants	N/A	11,857	30,143
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Economic Development				
14.228	Community Development Block Grants/State's Program	2001-ME-01	24,000	0
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety				
16.575	Crime Victim Assistance	2000-VOCA-0014	0	35,430
		2001-VOCA-0014	36,221	0
	Program Total		36,221	35,430
16.592	Local Law Enforcement Block Grants Program	2001-LBG-018	0	9,000
		2002-LBG-047	11,250	0
	Program Total		11,250	9,000
Missouri Sheriff's Association				
16	Domestic Cannabis Eradication/Suppression Program	N/A	892	952
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission				
20.205	Highway Planning and Constructior	BRO-059 (10)	95,968	131,891
		BRO-059 (13)	0	23,295
		BRO-059 (15)	347,827	25,000
		BRO-059 (16)	29,474	0
	Program Total		473,269	180,186
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabiliti	N/A	1,775	0
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	450	326

Schedule

LIVINGSTON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety				
83.544*	Public Assistance Grants	FEMA-1412-DR-M	46,070	26,106
83.562**	State and Local All Hazards Emergency Operations Plannin	N/A	3,300	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.268	Immunization Grants	N/A	67,471	50,321
		PGA064-2159A	0	5,715
		PGA064-3159A	4,050	2,000
	Program Total		71,521	58,036
93.283	Centers for Disease Control and Prevention - Investigations an Technical Assistance	DH030092001	6,700	0
Department of Social Services				
93.563	Child Support Enforcemen	N/A	715	1,121
Department of Health and Senior Services				
93.575	Child Care and Development Block Gran	PGA067-3159C	1,320	180
		PGA067-2159C	315	1,345
		PGA067-4159S	285	650
		PGA067-2159S	969	890
	Program Total		2,889	3,065
Department of Social Services -				
93.658	Foster Care - Title IV-E	N/A	0	69
Department of Health and Senior Services				
93.994	Maternal and Child Health Services Block Grant to the State	ERS146-4159M	4,106	0
		ERS146-3159M	12,091	4,030
		ERS146-2159M	0	12,190
		N/A	617	480
	Program Total		16,814	16,700
			\$ 750,913	398,528
	Total Expenditures of Federal Award:			

* The CFDA number for this program changed to 97.036 in October 2002

** The CFDA number for this program changed to 97.051 in October 2002

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Notes to the Supplementary Schedule

LIVINGSTON COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Livingston County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property Programs (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided	
		Year Ended December 31, 2003	2002
10.773	Rural Business Opportunity Grants	\$ 11,857	30,143
14.228	Community Development Block Grants/State's Programs	24,000	0
83.544	Public Assistance Grants	46,070	26,106

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Livingston County, Missouri

Compliance

We have audited the compliance of Livingston County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2003 and 2002. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Livingston County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2003 and 2002. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 03-1.

Internal Control Over Compliance

The management of Livingston County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 03-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Livingston County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

July 1, 2004 (fieldwork completion date)

Schedule

LIVINGSTON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2003 AND 2002

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major program:

Material weaknesses identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? x yes none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major program:

CFDA or Other Identifying Number	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

03-1.

Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-059
Award Year:	2003 and 2002
Questioned Costs:	N/A

Section .310(b) of Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

The county's procedures to track federal awards for preparation of the SEFA should be improved. For the years ended December 31, 2003 and 2002, the county's SEFA contained several errors and omissions. Expenditures for 12 grants were misstated for both 2003 and 2002, which included overstatements totaling \$50,781 and understatements totaling \$37,171. In addition, two grants with expenditures totaling \$1,844 were omitted from the schedule. The audited SEFA was adjusted to correct these errors.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Commission, County Clerk, and Health Center Board of Trustees prepare complete and accurate schedules of expenditures of federal awards to

submit to the State Auditor's Office as a part of the annual budgets. The County Commission should take steps to ensure other offices properly track and report federal awards, or consider assigning a county employee the duties of tracking all grants for the county.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission agrees with the finding; however, the majority of the errors related to programs administered by the Health Center. In the future, we will request the Health Center to prepare and submit its own schedule.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

LIVINGSTON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2001, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

LIVINGSTON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

Findings – Two Years Ended December 31, 2001

01-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-059(10), BRO-059(12), BRO-059(13), BRO-059(14)
Award Year:	2001 and 2000
Questioned Costs:	N/A

The county's procedures for tracking federal assistance needed improvement. The schedule of expenditures of federal awards contained several errors and omissions.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

Status:

Not implemented. See finding number 03-1.

Findings – Two Years Ended December 31, 1999

99-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	ER0045-9159
Award Year:	1999 and 1998
Questioned Costs:	N/A
Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	83.544
Program Title:	Emergency Management – Public Assistance Grants
Pass-Through Entity	
Identifying Number:	FEMA-1253-DR-MO
Award Year:	1999 and 1998
Questioned Costs:	N/A

The county's procedures for tracking federal assistance needed improvement. The schedule of expenditures of federal awards contained several errors and omissions.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

Status:

Not implemented. See finding number 03-1.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

LIVINGSTON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Livingston County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 1, 2004. We also have audited the compliance of Livingston County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 1, 2004.

In addition, we have audited the operations of elected officials with funds other than those presented in the financial statements to comply with the State Auditor's responsibility under Section 29.230, RSMo 2000, to audit county officials at least once every 4 years. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Livingston County or of its compliance with the types of compliance requirements applicable to its major federal program but do

not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1.	Enhanced 911 Fund
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The Enhanced 911 Fund is in poor financial condition, and its cash balance at December 31, 2003 was overstated due to a recording error. The county did not enter into a written agreement with the City of Chillicothe for 911 services provided to city residents.

- A. The Enhanced 911 Fund is in poor financial condition. The following chart shows the Enhanced 911 Fund's receipts, disbursements, and cash balances for the three years ended December 31, 2003.

		2003	2002	2001
Beginning cash, January 1	\$	28,082	45,961	33,507
Receipts		178,427	178,858	183,853
Disbursements		(203,397)	(196,737)	(171,399)
Ending cash, December 31	\$	<u>3,112</u>	<u>28,082</u>	<u>45,961</u>

A significant factor resulting in the decline of the financial condition of the Enhanced 911 Fund was increasing payroll expenses for overtime and larger payments for services provided by the City of Chillicothe. A review of the 2004 budget and financial records noted a continuing decrease in the cash balance, and as of May 2004, the county loaned more than \$25,000 from the General Revenue Fund to the Enhanced 911 Fund. In addition, the Enhanced 911 Fund owed approximately \$83,000 on an equipment lease/purchase, and the County Commission indicated that additional 911 equipment is obsolete and may need to be replaced in the near future.

The main source of 911 receipts is a 15 percent fee added to the base phone line rate charged by the telephone companies and, according to the County Commission, the maximum rate authorized is being charged.

The County Commission should review disbursements to ensure available resources are used efficiently and to determine if long term reductions in disbursements are possible. In addition, the County Commission should ensure receipts are maximized and, if necessary, consider alternative funding sources.

- B. The Enhanced 911 Fund's receipts and ending cash balance in 2003 were overstated by \$13,049. The error resulted from the Ex Officio County Collector misclassifying a property tax receipt from a utility company as a 911 surcharge. The Ex Officio County Collector discovered and corrected the error in 2004, but the county did not

amend the 2003 actual receipts or cash balance figures on the 2004 budget. As a result, the 2004 budget overstated the beginning available resources, which appears to have contributed to the 2004 cash flow problems noted above in Part A. The audited cash balance of the Enhanced 911 Fund at December 31, 2003, was adjusted to correct this error.

Failure to include all receipts and cash on the county's budgets and financial statements does not provide an accurate accounting to the public and reduces the effectiveness of the budget process.

- C. No contract exists for payments made to the City of Chillicothe for dispatching services provided by the city. In 2003, the county paid the city \$25,000 for 911 dispatching services provided by the city to city residents; however, the county does not require the city to provide documentation of the specific services provided, such as the number of 911 calls handled by the city. In addition, the county loaned the city all necessary equipment to provide these services, but no agreement exists to document the county assets held by the city.

Written agreements are necessary to quantify the services to be performed, identify the equipment loaned, specify the consideration to be paid, and to protect the county in the event of a dispute over the terms of the agreement. In addition, Section 432.070, RSMo 2000, requires all contracts to be in writing.

WE RECOMMEND the County Commission:

- A. Closely monitor the financial condition and consider various alternatives of increasing receipts and/or reducing disbursements of the Enhanced 911 Fund.
- B. Ensure all transactions are properly recorded and submit amended budgets when errors are discovered.
- C. Enter into a written agreement for these services. In addition, the agreement should detail the county-owned assets held by the city.

AUDITEE'S RESPONSE

- A. *We agree. We are developing a plan to secure additional funding and considering reductions in disbursements.*
- B. *We agree and will submit amended budgets in the future when necessary.*
- C. *We agree and will work with the city to obtain a written agreement.*

The county has not taken action on the mid-term salary increases given to the Associate County Commissioners in 1999. The amount paid for the salary of an Associate County Commissioner from the Special Road and Bridge Fund in 2002 exceeded the allowable administrative service fee amount. State law required the Public Administrator to elect to receive either a salary from the county or fees from estates as compensation for her term beginning in 2001; however, the Public Administrator has received both a salary and fees.

- A. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based upon this statute, in 1999 Livingston County's Associate County Commissioners' salaries were each increased approximately \$4,000 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of the statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional. On June 5, 2001, the State Auditor notified all third class counties of the Supreme Court decision and recommended that each county document its review of the impact of the opinion, as well as plans to seek repayment. In June 2001, the Prosecuting Attorney recommended that the Associate County Commissioners repay the raise amounts; however, no plan has been developed for obtaining repayment of the salary overpayments.

Based upon the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$8,000 for the two years ended December 31, 2000, should be repaid.

- B. Section 50.515, RSMo 2000, allows the county to impose an administrative service fee on the Special Road and Bridge Fund, not to exceed three percent of the total budget of the fund (amended to five percent, effective August 28, 2004). In lieu of such a fee, the county annually pays the salary and fringe benefits of one associate county commissioner from the Special Road and Bridge Fund.

While the administrative service fee is limited to three percent of budgeted expenditures of the Special Road and Bridge Fund, the budget for 2002 was unrealistic in that budgeted expenditures were \$2.1 million while actual expenditures were only \$715,466. Had the county prepared a more realistic budget, the

administrative service fee would have been limited to approximately \$22,000 for 2002; however, the total commissioner's salary and fringe benefits paid from the Special Road and Bridge Fund was approximately \$30,000. For 2003, the amount spent from the Special Road and Bridge Fund was approximately \$1 million, so the amount of allowable administrative service fee approximated the amount of the commissioner's salary and benefits paid from the Special Road and Bridge Fund (\$30,000).

To avoid similar concerns in the future, the county should consider discontinuing payment of a commissioner's salary from the Special Road and Bridge Fund and compute administrative service fees in accordance with state law based on actual or reasonable budgeted expenditures. In addition, the county should consider reimbursing the Special Road and Bridge Fund from the General Revenue Fund approximately \$8,000, which is the amount paid for the commissioner's salary in 2002 which exceeded the allowable administrative service fee.

- C. Section 473.742, RSMo, enacted in 2000, required public administrators to make a determination within 30 days after taking office whether to receive a salary from the county or to receive fees as may be allowed by law to executors, administrators, or personal representatives. Prior to this change in state law, Section 473.739, RSMo, allowed public administrators to receive, in addition to fees, annual compensation from the county if the public administrator did not receive at least a certain amount of fees.

Following her taking office for a new term in January 2001, the Public Administrator elected to receive fees as compensation; however, the county continued to pay her \$10,000 in annual compensation. Section 473.739, RSMo, which authorized the annual compensation from the county, was amended in 2000 and this statute only applies to first-class counties (Livingston County is a third-class county).

Section 473.742, RSMo, requires the Public Administrator to elect to receive either salary or fees; however, she continued to receive both salary and fees based on the old state law. Neither the county nor the Public Administrator has obtained a legal opinion regarding this matter.

WE RECOMMEND the County Commission:

- A. Review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Reimburse the Special Road and Bridge Fund \$8,000 from the General Revenue Fund. In addition, the county should consider discontinuing the practice of paying a commissioner from the Special Road and Bridge Fund, and limit the administrative service fee to 3 percent (5 percent effective August 28, 2004) of actual or reasonable budgeted expenditures of the Special Road and Bridge Fund.

- C. Obtain a legal opinion from the Prosecuting Attorney regarding the compensation paid to the Public Administrator during her term beginning in 2001, and take appropriate action based on the opinion.

AUDITEE'S RESPONSE

- A. *We do not intend to pursue collection. The salary amounts were approved by the Salary Commission in accordance with state law and legal counsel obtained at that time. The Commissioners received the salary in good faith and we believe they were entitled to this amount.*
- B. *We will reimburse the Special Road and Bridge Fund for the appropriate amount. In the future, the Commissioners will be paid from the General Revenue Fund and we will compute the administrative transfer based on actual expenditures from the Special Road and Bridge Fund.*
- C. *We have already reviewed this matter with legal counsel and do not plan to pursue collection of any amounts paid to the Public Administrator. We will request legal counsel to submit a written opinion on this matter. These expenditures will not be made at the beginning of the new term for the Public Administrator.*

3. Policies and Procedures

The county did not always solicit bids for purchases or adequately document bid information for various purchases, and did not always obtain adequate documentation to support disbursements prior to payment. Some receipts were misclassified on the county's financial statements and some duplicate payments were made. The county has not established a sheriff civil fees fund as required by state law.

- A. Our review of the county's bidding procedures noted the following concerns:
- 1) The county spent approximately \$28,000 and \$35,000 for culverts during the years ended December 31, 2003 and 2002, respectively. The county advertised for bids in 2002, but only received a bid from one vendor. The county continued to use the 2002 culvert bid for 2003 purchases without re-bidding. In addition, bids were not solicited and or advertised for election supplies (\$9,485), communication equipment (\$6,286), and book binding (\$5,670).
 - 2) For three purchases (\$13,577 for steel, \$5,484 for a copier, and \$17,690 for machine hire), the lowest bids (\$11,499 for steel, \$4,894 for a copier, and an average of \$5 less per hour for about 210 hours of machine hire) were not accepted and the county did not adequately document the reasons for accepting the winning bids. In each instance, the County Commission

indicated the lowest bids did not meet the bid specifications; however, the commission minutes did not clearly identify the differences between the specifications and the actual bids. In addition, bids for construction services were received in 2001 and the county continues to use this vendor without re-bidding for these services.

- 3) The county has not conducted a formal analysis of the factors involved when selecting quarries for road rock purchases. The county spent approximately \$32,000 for road rock during the audit period. The county accepted bids from three different quarries in 2003 for various grades of rock and the rates vary between quarries. In addition, the county did not document its reasons for electing not to purchase rock from a fourth quarry which submitted bids that were less than some of the other quarries.

The County Commission indicated the determining factors for purchasing from a particular quarry include the cost of hauling, distance to the jobsite, and the quality of the rock. However, the county has not documented the county's cost per mile per ton for hauling and has not documented its analysis of these factors when determining which quarry to purchase from for specific projects or various locations.

A cost analysis would help ensure the county is purchasing from the lowest and best bidder for a specific location. Documentation should include the size, quality and cost of rock, and the cost of hauling to a specific location.

Section 50.660, RSMo 2000, requires the advertisement for bids on all purchases of \$4,500 or more from any one person, firm or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding assures all parties are given an equal opportunity to participate in county business. Documentation of bids should include, at a minimum, a listing of vendors from whom bids are requested, a copy of the request for proposal, newspaper publication notices, bids received, the basis of justification for awarding the bids, and documentation of all discussions with vendors.

- B. The County Commission authorized the following payments without obtaining adequate supporting documentation as follows:

- 1) The county paid a \$8,871 bill in January 2002 for network charges related to the 911 system. The vendor's statement indicated that a previous balance of \$8,016 was due, but the county did not have a copy of the previous statement. Therefore, this amount was paid without documentation of the detailed charges that totaled \$8,016.

- 2) The Sheriff's office uses a credit card to make purchases related to training, extradition of prisoners, and equipment for the department. During the audit period these credit card purchases totaled approximately \$12,000. The Sheriff submits the billing statement from the credit card company to the County Clerk prior to payment but does not submit the vendor invoices or credit card receipt slips.
- 3) The Prosecuting Attorney spent approximately \$6,000 during the audit period on training. A portion of these disbursements included lodging, airline tickets, and rental cars. The Prosecuting Attorney submitted a summary of the expenditures, but did not include the original invoices for these items.

Failure to obtain adequate documentation before payment is made could result in payments being made for good and services which the county did not receive.

C. A review of receipts and disbursements noted various recording errors and duplicate payments, as follows:

- 1) Two board of prisoner receipts from counties totaling approximately \$8,000 were misclassified as board payments received from individuals.
- 2) Receipts totaling approximately \$5,000 from the Ex Officio Recorder of Deeds were misclassified as Circuit Clerk fees.
- 3) A \$13,049 utility property tax payment was misclassified as Enhanced 911 Fund revenues.
- 4) A \$62,225 payment was prepared in error. Although the error was discovered and the check was not mailed, the check was recorded as outstanding on the county's records for several months before it was voided.
- 5) A \$2,049 duplicate payment was prepared and sent to a vendor. Apparently, a second invoice was submitted to the county; however, the vendor subsequently returned the duplicate payment.

The County Clerk indicated she reviews receipt classifications but apparently did not detect these errors. Failure to properly classify receipts reduces the usefulness of the financial statements.

County officials indicated that bills were processed and paid only once a month, which increased the possibility of receiving duplicate invoices from vendors. The county now processes bills twice a month. The county should ensure procedures are in place to prevent duplicate payments, and to ensure that if checks are issued for duplicate payments, the checks are voided and removed from the outstanding check list on a timely basis.

- D. The county has not established a separate fund to account for sheriff civil fees. Currently, all civil fees are deposited into the General Revenue Fund. Section 57.280, RSMo 2000, requires civil fees to be deposited into a separate fund to be used for procurement of services and equipment to support the operations of the Sheriff's office.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained and the justification for selecting the winning bids. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Require original invoices or other supporting documentation prior to payment of bills.
- C. Ensure receipts are properly classified on the county's financial statements and review the procedures for paying bills to ensure duplicate payments are not made.
- D. Establish a sheriff civil fees fund as required by state law.

AUDITEE'S RESPONSE

- A. *We agree. While we believe we made good decisions regarding these purchases, we will do a better job of soliciting bids when necessary and maintaining documentation for decisions made.*
- B. *We agree and will send a memo to all officials informing them to submit original invoices for all bills or the bill will not be paid.*
- C. *We will do a better job to ensure all receipts are properly classified and eliminate duplicate payments. Bills are now paid twice a month instead of once a month, which should help reduce the occurrence of duplicate payments.*
- D. *This fund has now been established.*

4. Inventories

The county has not updated its general fixed asset records since 2001. The Road and Bridge Department does not maintain inventory records for construction materials.

- A. The County Commission or its designee is responsible for maintaining a complete, detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories or inspections. The County Clerk

has been primarily responsible for maintaining general fixed asset records; however, the asset listing has not been updated and a physical inventory has not been performed since 2001. Items recently purchased which were not included on the general fixed asset listing include 911 equipment held by the City of Chillicothe, radio equipment, and a refrigerator. In addition, new fixed assets have not been tagged since 2001. The county has not developed policies to define who is responsible for maintaining fixed asset records, procedures to be followed, and the content of the records.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect the inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section should be signed by the County Clerk.

Adequate general fixed asset records are necessary to secure better internal controls over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Property control tags should be affixed to all assets to help improve accountability and ensure assets are properly identified as belonging to the county.

- B. The Road and Bridge Department does not maintain inventory records of construction materials. The county maintains a stockpile of culverts for its own use and to sell to other political subdivisions, a large quantity of steel for future bridge projects, and lumber. Inventory records should be maintained on a perpetual basis, with all material purchases being added and all amounts sold/used being deducted from the record. In addition, materials on hand should be physically inventoried on a periodic basis and agreed to the perpetual inventory records.

Adequate inventory records are necessary to secure better internal controls and safeguard materials which are susceptible to loss or theft. Periodic physical inventories are necessary to ensure the records are accurate, identify any unrecorded additions or deletions, and detect possible loss or theft.

WE RECOMMEND the County Commission:

- A. Establish written policies related to the handling and accounting for general fixed assets which include procedures to ensure compliance with state law. In addition, all fixed asset purchases and dispositions should be recorded as they occur, purchases of fixed assets should be reconciled to additions on the inventory records, and purchased items should be tagged or identified as county-owned property upon receipt.

- B. Maintain perpetual inventory records of pertinent road and bridge materials and periodically perform physical inventories of the applicable materials.

AUDITEE'S RESPONSE

- A. *We agree. A new system has been developed to account for fixed assets, and we will prepare policies related to the handling and accounting for fixed assets.*
- B. *We agree and will prepare an annual inventory of these materials.*

5. Board of Prisoner Contracts

Linn County paid Livingston County approximately \$8,000 less for boarding of prisoners than provided in the terms of the contract between the counties. In addition, the county reduced the amount it charges the City of Chillicothe for boarding of prisoners by approximately \$4,600 in return for other services provided by the city; however, the services provided by the city were not adequately documented. Board of prisoner revenues from other counties and cities for the years ended December 31, 2003 and 2002, were approximately \$154,000 and \$143,000, respectively.

- A. For the past several years, Livingston County has had a written agreement with Linn County for boarding prisoners. Effective 2003, the terms of the contract required Livingston County to provide accommodations to Linn County for up to 2,555 inmate days for the calendar year for the sum of \$77,927 (\$30.50 per inmate day). The contract provided a billable rate of \$35 for inmate days in excess of 2,555.

In July 2003, Linn County exceeded 2,555 prisoner board days at Livingston County. For the remainder of the year, Livingston County billed Linn County \$30.50 for almost all additional prisoner days instead of the \$35 per day, resulting in total billings of approximately \$8,000 less than provided by the terms of the contract. The 2004 contract was modified to a billable rate of \$30.50 per prisoner day in excess of 2,555.

The Sheriff and the County Commission indicated there was a verbal agreement with Linn County to reduce the billing rate for 2003; however, the circumstances were not documented in the County Commission minutes nor was there a documented contract amendment. To ensure all parties clearly understand the terms of the contract and to avoid misunderstandings, any changes should be documented in contract amendments.

- B. In 2003, the county entered into a written agreement for boarding of prisoners for the City of Chillicothe at a rate of \$35 per prisoner day. An additional written agreement with the city requires the county to pay back to the city \$10 for each city prisoner day incurred in the county jail to reimburse the city for certain services provided by the

city, thus effectively reducing the rate paid by the city to \$25 per prisoner day. The amount reimbursed back to the city was approximately \$4,600 in 2003. The written agreement defines the services provided by the city as follows: use of the city's evidence storage facility, city officers assisting the county for urgent situations, loan of equipment, supplemental training, and use of the city's SWAT team. There appears to be no correlation between the services provided by the city and the number of prisoner days incurred by the city, and it does not appear reasonable for the county to reimburse the city in such a manner. In addition, the contract was not specific in the specific equipment that the city would loan to the county or the types of training to be provided to the county.

If the county wishes to continue receiving these services from the city, the county should enter into a written agreement which more clearly defines the services to be received and sets the compensation based on the cost of providing these specific services.

WE RECOMMEND the County Commission and the Sheriff:

- A. Ensure modifications to contracts are supported by documented contract amendments.
- B. Revise the contract with the City of Chillicothe to adequately define the services to be provided to the county and to set the compensation based on the cost of providing the specific services.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- A. *We agree and will ensure future contract amendments are signed by all parties.*
- B. *We agree and will work with the City and Sheriff to develop a contract with the city which adequately defines the services provided and compensation paid.*

The Sheriff provided the following response:

- A. *You cite that Livingston County failed to receive as much as \$8,000 from Linn County due to a waiver by both county commissions on paying the overage from excessive use of inmate bed days. The Linn County Sheriff asked me if we could do this, and the county commissioners worked this out. I believe this was the right thing to do as we are making decent money from Linn County and if we fail to work with them, we would lose them as a customer. They could keep their inmates in a private jail if they choose. I do not see where it is my responsibility to do contractual agreements with other agencies on prisoner fees. I did believe it was proper to have input on what I thought was the right thing to do.*

- B. *Without the services of the Chillicothe Police, I would estimate Livingston County would need to hire an additional 2 staff members, and still there would be an occasional need for their assistance. Without the use of their evidence room, we would need to add on to our building at great expense to county taxpayers, as we have no available space.*

6. Sheriff's Accounting Controls and Procedures
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Monies are not always deposited in a timely manner and receipts slips are not always prepared immediately. Open items (liabilities) are not reconciled to bank balances for the inmate account and approximately \$1,500 in this account was not identified to specific open items. A large number of inmate account checks have been outstanding for a considerable amount of time. Records and procedures to account for and collect incarceration costs should be improved.

The Sheriff's office receives monies for bonds, incarceration costs, civil and criminal fees, and gun permits, which are deposited into the general bank account. Receipts for inmates are deposited into the inmate bank account. Receipts totaled approximately \$241,000 and \$150,000 for the years ended December 31, 2003 and 2002, respectively.

- A. Receipts are not always deposited on a timely basis. Receipts are generally deposited 3 to 6 times per month. A \$14,925 deposit in the general account in September 2003 contained cash receipts totaling \$2,220 which were held between 8 and 20 days before deposit. A \$5,708 deposit in April 2002 contained cash receipts totaling \$3,365 which were held between 6 and 13 days before deposit. Similar instances of untimely deposits were noted in the inmate account. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.
- B. Receipt slips are not always prepared immediately for some monies received and as a result, are not recorded in the cash control ledger in a timely manner. Receipt slips are normally issued immediately prior to deposit for monies received through the mail. To ensure all receipts are properly recorded and accounted for, receipt slips should be issued and the receipts should be recorded in the cash control ledger immediately upon receipt.
- C. The inmate account balance is not reconciled to related liabilities. The inmate account includes inmate's personal monies which are used to purchase items from the jail commissary. At the end of each month, the Sheriff's office determines the total amount of commissary purchases and disburses that amount from the inmate account for deposit into the General Revenue Fund for commissary supplies.

A comparison of individual inmate account balances (liabilities) to the reconciled bank balance as of May 31, 2004, noted the reconciled bank balance was \$1,541 more than the individual inmate balances. A prior audit finding noted the bank account balance at August 7, 2000 was approximately \$1,500 less than the individual inmate account balances. The Sheriff's office determined that a duplicate payment of \$3,150 was made to the County Treasurer prior to August 7, 2000, and the county issued a check for that amount which was deposited into the inmate account.

To ensure proper accountability over inmate and commissary monies, and improve the likelihood of identifying and correcting errors in a timely manner, the individual inmate account balances should be compared to the reconciled bank balance on a monthly basis and any discrepancies should be resolved. The Sheriff should determine if the unidentified balance in the account of approximately \$1,500 represents commissary sales which should be turned over to the county treasury or represents unclaimed inmate monies which should be turned over to the State Unclaimed Property Section.

- D. The inmate account has a large number of checks which have remained outstanding for a substantial amount of time. As of December 31, 2003, there were 1,508 outstanding checks totaling \$816, almost all of which had been outstanding for one year or more. Most of these checks were issued for less than \$1 to refund the balance of inmates' money upon their release from jail. The Sheriff has recently adopted a policy that refunds will be made for amounts less than \$1 only if requested by the inmate, which should help reduce the amount of outstanding checks.

These old outstanding checks create additional and unnecessary record-keeping responsibilities. Procedures should be adopted to routinely follow up on old outstanding checks and reissue them if necessary. If the payees cannot be located, various statutory provisions, including Section 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

- E. While the Sheriff has implemented some procedures to collect incarceration costs for Livingston County prisoners, improvement is needed to ensure accurate records are maintained of all amounts due and collected and to ensure collection efforts are adequate. The Sheriff has developed a computerized system to track amounts owed, but the system does not track payments and therefore, accurate balances of amounts due from each prisoner are not maintained. In addition, while the Circuit and Associate Circuit courts collect some incarceration costs and have established their own policies and procedures, the Sheriff and the courts have not established standard procedures to ensure accurate records are maintained for all amounts owed and paid, and the Sheriff has not established standard billing and follow-up procedures.

Payment of board of prisoner costs is required as a condition of defendants' probation on applicable court cases; however, the Circuit Judge indicated that this is not done for prisoner medical costs. Section 221.122, RSMo 2000, allows for the payment of medical costs to be a condition of probation. The Sheriff uses inmates' personal funds in the inmate bank account to pay for some medical costs; however, the amounts collected by this method are small compared to the total inmate medical costs incurred by the county. During the two years ended December 31, 2003, county records indicate approximately \$52,000 spent on inmate medical costs but only \$3,500 collected from inmates.

Based on available records, it appears as much as \$700,000 incarceration costs incurred for county prisoners during the past four years has not been collected. According to applicable county officials, much of this will not be collected because of the prisoners' financial inability to pay for these costs. To ensure the county maximizes revenues and to adequately account for incarceration costs for county prisoners, the Sheriff should work with the courts to establish standard billing and follow-up procedures, and maintain complete and accurate records of all costs incurred, billed, paid, and owed.

Conditions similar to Parts A through C and E were also noted in a prior report.

WE RECOMMEND the Sheriff:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Issue receipt slips and record receipts in the cash control ledger immediately upon receipt.
- C. Prepare monthly listings of individual inmate account balances and reconcile these amounts to the bank account balance. Any differences should be investigated and resolved in a timely manner.
- D. Establish procedures to periodically investigate and reissue checks outstanding for a considerable time. Amounts remaining unclaimed should be disbursed as allowed by state law.
- E. Work with the courts to establish standard records and procedures to ensure incarceration costs for county prisoners are adequately accounted for and to ensure collection efforts are maximized.

AUDITEE'S RESPONSE

A&B. We have attempted to do this but without additional staff, we cannot guarantee that it will be done immediately.

- C. *This is being done and the \$1,500 has been turned over to the Unclaimed Property Section.*
- D. *We will turn over the amounts to the Unclaimed Property Section after holding them for a year. We do not believe it is feasible to reissue checks for these small amounts as it costs \$15 for each stop payment order.*
- E. *We do want to find ways to better hold inmates and former inmates accountable for their board bills and medical costs. We have attempted many times in collecting past board bills and medical costs with minimal success. I have been working with the National Association of Counties to obtain the services of a debt collection agency that will accept inmate accounts.*

7. Juvenile Officer's Accounting Controls and Procedures

Receipts are not always deposited in a timely manner, checks and money orders are not restrictively endorsed immediately upon receipt, and the composition of receipts is not reconciled to bank deposits. Monthly bank reconciliations are not prepared and listings of open items (liabilities) are not prepared and reconciled to the cash balances.

The Juvenile Officer collected restitution totaling approximately \$5,000 and \$5,600 for the years ended December 31, 2003 and 2002, respectively.

- A. Receipts are not always deposited on a timely basis. Restitution monies collected are sometimes held for more than a month. For example, a \$1,400 deposit in January 2004 (which was composed of \$205 in cash and \$1,195 in checks and money orders) contained receipts totaling \$198 which were held between 65 and 126 days. The deposit also included a \$1,000 money order which was held 21 days before deposit. In addition, checks and money orders are not restrictively endorsed until the deposit is prepared. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made daily or when accumulated receipts exceed \$100.
- B. While the Juvenile Officer marks the checks and deposits in the cash control ledger as the checks/deposits clear the bank, he does not prepare formal bank reconciliations. In addition, monthly listings of open items (liabilities) are not prepared. Monthly bank reconciliations and the identification of month-end liabilities are necessary to ensure all receipts and disbursements are properly accounted for, that cash in the bank account is adequate to meet liabilities, and that errors are detected and corrected in a timely manner.

Similar conditions were noted in prior reports.

WE AGAIN RECOMMEND the Juvenile Officer:

- A. Restrictively endorse checks immediately upon receipt and deposit receipts daily or when accumulated receipts exceed \$100.
- B. Identify month-end liabilities, perform bank reconciliations, and reconcile liabilities to the bank balance on a monthly basis.

AUDITEE'S RESPONSE

- A. *I will attempt to deposit more frequently, but my other duties and responsibilities do not allow me to make deposits as frequently as recommended.*
- B. *I will attempt to implement this recommendation.*

8. Ex Officio County Collector's Controls and Procedures

The Ex Officio County Collector does not reconcile cash balances to existing liabilities. Daily listings of taxes received and abstracted are not maintained and daily deposits are not agreed to abstracted transactions. The annual settlements are not always complete and accurate.

The Ex Officio County Collector is responsible for collecting delinquent taxes not collected by the various township collectors, as well as collecting all railroad and utility taxes and surtax. For the years ended February 28 (29), 2004 and 2003, collections totaled approximately \$1.6 million and \$1.4 million, respectively. Two primary bank accounts are maintained, one for deposit of surtax collections which are accumulated and disbursed once per year, and one for the deposit and distribution of all other tax collections.

- A. Although differences have been noted and recommendations have been made in prior audit reports, the Ex Officio County Collector does not adequately reconcile cash balances to existing liabilities. Monthly bank reconciliations are performed; however, no check register balance or other book balance is maintained. As a result, the reconciled cash balance is not compared to any book balance or existing liabilities. At our request, the Ex Officio County Collector prepared a reconciliation of the bank balance to existing liabilities, and the reconciled cash balance at February 29, 2004 exceeded total liabilities by \$67.

The maintenance of a book balance and adequate reconciliations are necessary to ensure receipts and disbursements are properly accounted for and the cash balance can be properly identified to appropriate liabilities and other reconciling items.

- B. The Ex Officio County Collector does not maintain daily listings of taxes received and abstracted and does not reconcile the abstracted transactions to daily deposits. As a result, there is less assurance that all receipts are deposited intact. Monthly abstract listings are prepared but these listings are not reconciled to deposits. A cash count on March 29, 2004 noted \$64 on hand that had not been recorded or abstracted, and the amount could not be traced to a tax statement. According to the Ex Officio County Collector, the \$64 was a partial payment, but the payment was not recorded in the partial payment ledger. Additionally, a review of selected bank deposits noted several small unidentified differences between recorded receipts and deposits.

Daily abstract listings should be prepared and agreed to deposits to ensure all receipts have been properly recorded and deposited intact.

- C. The Ex Officio County Collector's annual settlements were not complete and accurate. A review of the annual settlements noted the following:
- The summary page on the 2003 settlement did not agree with the detail pages. For example, total current charges on the summary page were understated by \$27,405 and total back and protested charges were overstated by the same amount.
 - Interest of \$8,041 which was collected by the township collectors was not reported on the 2003 settlement.
 - The 2001 settlement overstated distributions to the General Revenue Fund by approximately \$105,000. The 2001 settlement incorrectly reported distributions to townships as distributions to the General Revenue Fund.

Complete and accurate annual settlements are necessary to ensure proper accounting of amounts charged to and disbursed by the collectors.

WE RECOMMEND the Ex Officio County Collector:

- A. Maintain a book balance and reconcile the bank accounts to related liabilities and other reconciling items on a monthly basis. Any differences should be investigated and explained on the reconciliations.
- B. Prepare daily abstract listings of all receipts and reconcile the listings to daily deposits to ensure all receipts are deposited intact.
- C. Prepare annual settlements that are complete and accurate.

AUDITEE'S RESPONSE

- A. *Beginning May 1, 2004, the following procedures were put into practice. Balances for both accounts are recorded daily in the bank account book. Bank reconciliation statements are compared to end-of-month book balances. Any differences are explained and corrected. Any surplus in the accounts will be distributed to the taxing entities along with bank interest at the end of the year. Our new computerized system should make possible daily balances. With additional training and experience, daily balances should be computed easily with accuracy.*
- B. *Daily tax collections are recorded and abstracted daily. The recent addition of the computerized system has provided us with a program that records the type of tax, the year of the tax, and calculates the total tax due, interest, including penalties, for each day. Partial payments are no longer accepted after July 1, 2004, except for bankruptcies.*
- All money is deposited daily. A copy of the bank deposit slip is placed with the abstracted copy of the daily tax collections. Tax collections are abstracted at the end of the month and compared to the manual abstract to check for accuracy. Hopefully, manual abstracting will be eliminated by the end of 2004.*
- C. *Annual settlements are double-checked each year to make sure they are accurately transferred from the balanced worksheets. Annual settlements for 2003 and prior years have always balanced on the worksheets. However, the 2003 settlement report was transferred to the annual settlement sheet with an error. The settlement to all accounts was correct.*

9. Prosecuting Attorney's Controls and Procedures
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Accounting duties are not adequately segregated, bad check fees are not always transmitted to the County Treasurer in a timely manner, and 22 checks totaling approximately \$930 have been outstanding for more than 3 years.

The Prosecuting Attorney's office receives monies for bad check restitution and fees and court-ordered restitution. The Prosecuting Attorney maintains one bank account for bad check restitution payments. Bad check fees are transmitted directly to the County Treasurer and court-ordered restitution payments are transmitted directly to the victims. For the years ended December 31, 2003 and 2002, receipts were approximately \$270,000 and \$125,000, respectively.

- A. Accounting duties are not adequately segregated. One secretary is primarily responsible for handling court-ordered restitution and another secretary is primarily responsible for handling bad check restitution. Their responsibilities include receiving and recording monies, preparing deposits, preparing checks, and performing month-end reconciliations. There is no independent review of the accounting records and reconciliations.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and recording monies from the duties of depositing and disbursing monies. If duties cannot be adequately segregated, at a minimum, there should be supervisory or independent reviews of reconciliations between receipts and deposits and bank reconciliations.

- B. Bad check fees are not always transmitted to the County Treasurer in a timely manner. Fees are normally transmitted once a week. In addition, a review of December 2003 transmittals noted approximately \$520 in fees which were received prior to November 20 but were not transmitted until December. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, checks or money orders should be transmitted daily or when receipts exceed \$100.
- C. As of December 31, 2003, the bank account had 22 checks totaling approximately \$930 which have been outstanding more than 3 years. The oldest check dates back to 1994. These old outstanding checks create additional unnecessary record-keeping responsibilities. Procedures should be adopted to routinely follow up on old outstanding checks and reissue them if necessary. If the payees cannot be located, various statutory provisions, including Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting duties or ensure periodic independent reviews of the accounting records are performed and documented.
- B. Transmit bad check fees to the County Treasurer daily or when accumulated fees exceed \$100.
- C. Establish procedures to periodically investigate and reissue checks outstanding for a considerable time. Amounts remaining unclaimed should be disbursed as allowed by state law.

AUDITEE'S RESPONSE

- A. *It is a practical impossibility to adequately separate accounting duties in this office. I agree it would be appropriate from time to time for there to be an independent review of the accounting records and reconciliations. I also point out that this office does not accept cash, which significantly reduces the opportunity for misappropriation of funds. I also point out that in spite of the auditor's observation that duties are not adequately segregated, no money has been lost in this office or misappropriated.*

- B. *I agree that bad check fees are not always transmitted to the County Treasurer in a timely fashion. We will endeavor to do so on a weekly basis.*
- C. *Unclaimed funds will be transmitted to the State of Missouri in a timely fashion.*

Follow-Up on Prior Audit Findings

LIVINGSTON COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Livingston County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1999. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendation is not repeated, the county should consider implementing that recommendation.

1. Personnel Policies and Procedures

The county's policies regarding overtime and compensatory time were very general and did not clearly support or describe the county's practices. The County Clerk did not maintain centralized records of vacation leave earned or taken by county employees. In addition, the County Clerk did not maintain records of compensatory time earned or taken by the Sheriff's department employees, and the Sheriff did not provide supporting documentation for payments of compensatory time balances for his employees.

Recommendation:

The County Commission establish a comprehensive overtime and compensatory time policy. In addition, the County Commission should have the County Clerk maintain centralized records of vacation leave and compensatory time earned, taken, and paid for all county employees. Furthermore, the County Commission needs to ensure that there is a thorough review and adequate support for any future payments of accumulated compensatory time balances.

Status:

Implemented.

2. Ex Officio County Collector's Accounting Controls and Procedures

The Ex Officio County Collector did not maintain a check register balance or other book balance. The cash balances were not reconciled to related liabilities and an unidentified balance of \$300 existed at February 29, 2000.

Recommendation:

The Ex Officio County Collector maintain a book balance and reconcile bank accounts to related liabilities and other reconciling items on a monthly basis. Any differences should be investigated and explained on the reconciliations.

Status:

Not implemented. See MAR finding number 8.

3. Juvenile Officer's Accounting Controls and Procedures

- A. Checks were not restrictively endorsed and receipts were not deposited in a timely manner.
- B. Receipt slips were not pre-numbered and did not indicate the method of payment. In addition, receipt composition was not reconciled to bank deposits.
- C. Bank reconciliations were not prepared and open items (liabilities) were not reconciled to book balances.

Recommendation:

The Juvenile Officer:

- A. Restrictively endorse checks immediately upon receipt and deposit receipts daily or when accumulated receipts exceed \$100.
- B. Require the Deputy Juvenile Officer to utilize pre-numbered receipt slips and record the method of payment for all monies received and reconcile cash, checks, and money orders received to the composition of bank deposits.
- C. Perform bank reconciliations and identify month-end liabilities, and reconcile to the cash control balance on a monthly basis.

Status:

A&C. Not implemented. See MAR finding number 7.

B. Implemented.

4. Sheriff's Accounting Controls and Procedures

- A. Accounting duties were not adequately segregated and there was no independent review of the accounting records.
- B. Checks and money orders were not restrictively endorsed immediately upon receipt.
- C. Receipt slips were not issued for some monies, and the receipt information was not recorded in the cash control ledger on a timely basis.

- D. Receipts were not always deposited intact daily and were not always kept in a secure location prior to deposit. Receipt information was not always recorded correctly on the deposit slips. Inmate account monies totaling \$30 were not traced to deposits into the inmate bank account.
- E. Inmate account receipt slips did not always indicate the method of payment received and the composition of receipts was not reconciled to bank deposits.
- F. Bank reconciliations were not prepared for the general account. Open items (liabilities) were not reconciled to the balances of the general account.
- G. Bank reconciliations were not prepared for the inmate account. Upon our request, the bank reconciliations were prepared, but the reconciled balance was approximately \$1,500 less than open items (liabilities).
- H. Listings of unpaid incarceration costs were not prepared and procedures were not established to follow up on delinquent balances.

Recommendation:

The Sheriff:

- A. Adequately segregate the accounting duties or, at a minimum, ensure that periodic independent reviews of the accounting records are performed and documented.
- B. Restrictively endorse checks and money orders immediately upon receipt.
- C. Issue pre-numbered receipt slips promptly for all monies received and account for the numerical sequence of receipt slips issued. In addition, information should be recorded in the cash control ledger in a timely manner.
- D. Deposit all monies intact daily or when accumulated receipts exceed \$100, store monies in a secure location prior to deposit, and ensure deposit slips include complete and accurate information. In addition, the Sheriff needs to follow up further on amounts that do not appear to have been deposited and repay any undeposited amounts to his official bank account.
- E. Ensure the method of payment is recorded on receipt slips and reconcile the composition of receipt slips to the composition of bank deposits.
- F. Perform monthly bank reconciliations for the general account. In addition, prepare monthly listing of open items and reconcile it to the reconciled bank balance.
- G. Perform monthly bank reconciliations for the inmate account. In addition, prepare a monthly listing of individual inmate account balances and the commissary sales for

the month, and reconcile these amounts to the reconciled bank balance. Any differences identified need to be investigated and resolved in a timely manner.

- H. Maintain a complete and accurate listing of delinquent incarceration amounts. In addition, formal procedures should be established and implemented for pursuing the collection of such delinquent amounts.

Status:

A, B, E

&F. Implemented.

C&H. Not implemented. See MAR finding number 6.

- D. Partially implemented. Receipts are maintained in a secure location prior to deposit, the deposit slips include complete and accurate information, and the two undeposited receipts were subsequently accounted for and deposited. However, monies are not always deposited intact daily. See MAR finding number 6.

- G. Partially implemented. Bank reconciliations are prepared monthly for the inmate account; however, the bank balance is not reconciled to open items (liabilities). See MAR finding number 6.

5. Public Administrator's Procedures

Check registers for each case were not maintained and monthly bank reconciliations were not performed.

Recommendation:

The Public Administrator maintain a complete check register for each case and perform monthly bank reconciliations.

Status:

Partially implemented. Check registers are maintained for each case, but bank reconciliations are not performed. The Public Administrator indicated she reviews the bank statements and cancelled checks, and because there are normally very few outstanding checks and other reconciling items, the bank balances almost always agree to the check register balances. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

LIVINGSTON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1837, the county of Livingston was named after Edward Livingston, Secretary of State. Livingston County is a township-organized, third-class county and is part of the Forty-Third Judicial Circuit. The county seat is Chillicothe.

Livingston County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county and townships maintain approximately 612 miles of county roads and 149 county bridges.

The county's population was 15,739 in 1980 and 14,558 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,				
		2003	2002	2001	2000	1985* 1980**
		(in millions)				
Real estate	\$	91.8	90.3	89.7	80.5	61.2 36.8
Personal property		37.3	37.1	36.8	35.9	12.8 11.4
Railroad and utilities		9.2	10.1	10.9	10.7	8.9 7.7
Total	\$	138.3	137.5	137.4	127.1	82.9 55.9

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Livingston County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2003	2002	2001	2000
Health Center Fund	\$.2427	.2405	.2378	.2443
Senate Bill 40 Board Fund		.0993	.0984	.0973	.1000

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bills and collects property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),			
		2004	2003	2002	2001
State of Missouri	\$	42,594	40,811	41,541	38,306
General Revenue Fund		14,728	14,686	16,839	16,923
Assessment Fund		77,282	72,308	73,235	68,617
Health Center Fund		338,142	321,188	322,780	304,698
Senate Bill 40 Board Fund		136,954	130,168	130,740	123,585
School districts		5,352,142	4,937,721	5,023,124	4,620,198
Library district		369,270	350,611	352,511	332,936
Ambulance district		276,452	264,845	269,568	270,552
Nursing home district		210,603	200,021	201,161	190,052
North Central Missouri College		348	373	366	409
Watershed district		721	808	753	1,379
Fire protection districts		33,691	33,884	35,132	30,991
Township general		135,410	132,394	134,423	126,455
Township road and bridge		586,765	566,508	572,051	540,903
Cities		59,133	54,280	54,355	53,078
County Clerk		249	203	1,885	183
Merchant licenses -					
General Revenue Fund		8,725	9,525	7,540	10,160
County Employees' Retirement		31,698	24,919	22,762	20,662
Tax Maintenance Fund		13,412	673	0	0
Other		1,953	2,152	163	382
Commissions and fees:					
Township Collectors		57,596	54,749	55,402	52,305
General Revenue Fund		58,460	50,925	51,268	46,570
Total	\$	7,806,328	7,263,752	7,367,599	6,849,344

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),			
		2004	2003	2002	2001
Real estate		93.8	92.3	93.8	94.1 %
Personal property		91.8	91.2	92.3	94.0
Railroad and utilities		100.0	100.0	100.0	100.0

Livingston County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	%
General	\$ 0.0050	None	50	
Law enforcement	0.0025	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2004	2003	2002	2001	2000
County-Paid Officials:	\$				
Eva Danner, Presiding Commissioner		28,228	28,020	26,719	26,377
Ken Lauhoff, Associate Commissioner		26,228	26,020	24,719	22,253
Kenneth Warren, Associate Commissioner		26,228	26,020	24,719	
Max Smith, Associate Commissioner					22,253
Kelly Christopher, County Clerk		39,740	39,424	37,453	36,900
Douglas S. Roberts, Prosecuting Attorney		46,694	46,323	44,352	43,697
Steve Cox, Sheriff		43,714	43,367	41,395	
Gary D. Calvert, Sheriff					39,228
J. Scott Lindley, County Coroner		11,922	11,827	10,842	6,538
Joyce E. Laurence, Public Administrator (1)		47,241	47,256	42,508	28,140
Gordon Smith, County Treasurer and Ex Officio County Collector, year ended March 31,	40,038	39,502	37,945	31,724	
Steve Ripley, County Assessor (2), year ended August 31,		40,640	39,877	22,522	
Cindy Ireland, County Assessor (2), year ended August 31,				12,571	37,695
Joe J. Shy Jr., County Surveyor (3)					

(1) Includes fees received from probate cases.

(2) Ms. Ireland resigned in January 2001 and Mr. Ripley was appointed in February 2001. Compensation includes \$900 annual compensation received from the state.

(3) Compensation on a fee basis.

State-Paid Officials:

Brenda Timmons, Circuit Clerk and Ex Officio Recorder of Deeds	47,300	47,300	47,300	46,127
Barbara G. Lane, Associate Circuit Judge	96,000	96,000	96,000	97,382

Livingston County voters approved a ¼-cent law enforcement sales tax in April 2003 which is expected to generate approximately \$375,000 annually in additional revenues. The County Commission signed a tax anticipation note in January 2004 which authorizes the county to borrow up to \$200,000 at an annual interest rate of 3.75 percent. In May 2004, the county borrowed approximately \$35,000 to purchase two law enforcement vehicles.